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Power Integrations, Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

Kimberly Quaco, Derivatively on Behalf of
Nominal Defendant POWER
INTEGRATIONS, INC.,

Plaintiff,

v.

Balu Balakrishnan, et al.

Defendants,

Power Integrations, Inc.,

Nominal Defendant.

Case No. C-06-2811-MHP

**STIPULATION AND ~~[PROPOSED]~~ ORDER
GRANTING LEAVE FOR PLAINTIFFS TO
FILE AN AMENDED CONSOLIDATED
COMPLAINT AND SETTING A BRIEFING
SCHEDULE**

Pursuant to Federal Rule of Civil Procedure 15(a) and Northern District Civil Local Rule 6-2, Nominal Defendant Power Integrations, Inc. ("Power Integrations") and Representative Plaintiffs Geoffrey Wren, Kimberly Quaco, and Christopher DeBoskey ("Plaintiffs"), by and through their respective counsel of record, hereby stipulate and agree that Plaintiffs will file an Amended Consolidated Complaint ("Complaint") by **August 3, 2007**. This stipulation is based on the following facts:

Whereas, representative plaintiff Kimberly Quaco initiated this shareholder derivative case on behalf of nominal defendant Power Integrations on or about April 25, 2006;

Whereas, in May 2006, representative plaintiff Kimberly Quaco indicated an intent to file

1 an amended complaint. Pursuant to a stipulation signed on May 10, 2006, the parties stipulated
2 that plaintiff would file the amended complaint on or before May 26, 2006 and that defendants
3 would respond to such amended complaint on or before June 26, 2006;

4 **Whereas**, representative plaintiff Kimberly Quaco filed an amended complaint on
5 May 26, 2006. At the time of filing, counsel for nominal defendant Power Integrations no longer
6 represented all individual defendants. As a result, service was not completed on all defendants at
7 the same time. By stipulation dated June 22, 2006 (and approved by the Court), the parties
8 agreed to an effective service date and agreed that defendants would respond to the Quaco
9 amended complaint on or before September 12, 2006;

10 **Whereas**, on August 1, 2006, after the parties had set the service and response dates by
11 stipulation, Kathryn Champlin initiated a shareholder derivative action on behalf of nominal
12 defendant Power Integrations based upon allegations that were virtually identical to those alleged
13 in the Quaco case. Champlin also moved to be appointed lead plaintiff in the case;

14 **Whereas**, on August 31, 2006, nominal defendant Power Integrations filed a motion to
15 extend the time to respond to the Quaco amended complaint until after the motion to consolidate
16 and appoint lead plaintiff was resolved;

17 **Whereas**, on September 18, 2006, Kimberly Quaco filed a motion to be appointed lead
18 plaintiff;

19 **Whereas**, Christopher DeBoskey initiated a similar shareholder derivative case on behalf
20 of nominal defendant Power Integrations on or about September 21, 2006;

21 **Whereas**, the Court consolidated the various actions on September 22, 2006 and agreed
22 that defendants need not respond to the various complaints pending resolution of the motion to
23 consolidate and appoint lead plaintiff;

24 **Whereas**, the Court heard the motion to appoint lead plaintiff on November 6, 2006 and
25 required additional disclosures from the proposed representative plaintiffs before appointing a
26 lead plaintiff;

27 **Whereas**, on or about November 22, 2006, Counsel for Kimberly Quaco proposed to add
28 Geoffrey Wren as a representative plaintiff;

1 **Whereas**, on November 30, 2006, Champlin voluntarily dismissed her action and counsel
2 for Champlin withdrew the request that she be appointed lead plaintiff;

3 **Whereas**, on December 18, 2006, the Court appointed Geoffrey Wren as lead plaintiff
4 and the law firm of Schiffrin Barroway Topaz & Kessler, LLP as lead counsel and ordered
5 plaintiff to file a consolidated complaint no later than January 17, 2007;

6 **Whereas**, the Court also set a briefing schedule and required nominal defendant Power
7 Integrations to respond to the Consolidated Complaint within 30 days of service of the
8 Consolidated Complaint and set a hearing on the anticipated motion to dismiss the Consolidated
9 Complaint for failure to comply with the shareholder demand requirement for April 23, 2007;

10 **Whereas**, the Court also continued the date for the various defendants to provide a
11 substantive response to the Consolidated Complaint until after the demand futility motion is
12 heard;

13 **Whereas**, on February 9, 2007, pursuant to a stipulation by the parties, the Court extended
14 Power Integrations' time to respond to the Consolidated Complaint and stayed all other activities
15 until April 17, 2007 to allow the parties to engage in informal discovery and to discuss a potential
16 resolution of this matter;

17 **Whereas**, no formal discovery has occurred yet and defendants contend such discovery is
18 improper under the PSLRA and Delaware law pending a ruling on the motion to dismiss;

19 **Whereas**, counsel for Power Integrations and counsel for the plaintiff negotiated a
20 confidentiality agreement to cover an informal production of documents to facilitate a potential
21 resolution of this matter;

22 **Whereas**, Power Integrations has produced over 1400 pages of documents pursuant to the
23 confidentiality agreement and protected by Federal Rule of Evidence 408 and California
24 Evidence Code Section 1152 to facilitate a potential resolution of this matter;

25 **Whereas**, counsel for Power Integrations as well as counsel for plaintiff and counsel for
26 the plaintiff in a related state court action met for over four hours in New York, NY at Cooley
27 Godward Kronish LLP's office on April 4, 2007 to begin to determine if there was a mutually
28 acceptable potential resolution to the matters;

1 **Whereas**, counsel for Power Integrations and counsel for the plaintiff discussed the
2 substance of the case and engaged in meaningful discussions regarding how to resolve the matter;

3 **Whereas**, counsel for plaintiff requested additional information that Power Integrations
4 agreed to provide;

5 **Whereas**, on April 10, 2007, pursuant to a stipulation by the parties, the Court extended
6 Power Integrations' time to respond to the Consolidated Complaint and stayed all other activities
7 until June 1, 2007 to allow the parties to continue informal discovery and to discuss a potential
8 resolution of this matter;

9 **Whereas**, on May 1, 2007, Power Integrations' produced additional documents to the
10 plaintiff;

11 **Whereas**, counsel for Power Integrations and counsel for plaintiff diligently engaged in
12 discussions to resolve this matter;

13 **Whereas**, on May 31, 2007, pursuant to a stipulation by the parties, the Court extended
14 Power Integrations' time to respond to the Consolidated Complaint and stayed all other activities
15 until July 23, 2007 to allow the parties to continue informal discovery and to discuss a potential
16 resolution of this matter while avoiding the costs of litigation;

17 **Whereas**, counsel for Power Integrations and counsel for plaintiff continue to engage in
18 extensive discussions to resolve this matter;

19 **Whereas**, to date, these discussions have yet to result in a settlement;

20 **Whereas**, the parties have agreed to try to schedule a mediation to help resolve this
21 matter;

22 **Whereas**, the parties recognize that, barring a settlement, the litigation of the matter must
23 proceed;

24 **Whereas**, plaintiff has requested to be allowed to file an Amended Consolidated
25 Complaint;

26 **Whereas**, the parties agree that in the interests of justice and efficiency and to facilitate
27 settlement negotiations, plaintiff should be allowed to file an Amended Consolidated Complaint;
28

Whereas, the only scheduled events in this case are the briefing and hearing dates on nominal defendant Power Integrations' motion to dismiss the case for failure of plaintiff to comply with the shareholder demand requirement. No other scheduled dates will be affected by this stipulation.

Now, therefore, it is hereby stipulated, by and between the undersigned, as follows:

1. Nominal Defendant Power Integrations shall not respond to the Consolidated Complaint on July 23, 2007;

2. Plaintiffs shall have through and including August 3, 2007 to file an Amended Consolidated Complaint;

3. Nominal Defendant Power Integrations will have through and including September 12, 2007 to file a motion to dismiss based on demand futility. Plaintiffs will have through and including October 22, 2007 to file their opposition. Nominal Defendant Power Integrations will have through and including November 12, 2007 to file a reply brief;

4. The hearing on Power Integrations' motion to dismiss is hereby continued to December 3, 2007 or such other date that is convenient to the Court (December 3, 2007); and:

5. The date for the Individual Defendants to provide a substantive response to the Amended Consolidated Complaint is continued until after the demand futility motion is heard.

Dated: July 20, 2007

SCHIFFRIN BARROWAY TOPAZ & KESSLER, LLP

By: /s/ Eric Zagar
Eric Zagar

Lead Counsel for Plaintiffs

1 Dated: July 20, 2007

COOLEY GODWARD KRONISH LLP

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3
4 By: /s/ Jeffrey S. Karr
Jeffrey S. Karr

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6 Attorneys for Nominal Defendant
Power Integrations, Inc.

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8 Dated: July 20, 2007

LATHAM & WATKINS

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11 By: /s/ David M. Friedman
David M. Friedman

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13 Attorneys for Defendants
14 Balu Balakrishnan, Alan D. Bickell, Nicholas E.
Brathwaite, R. Scott Brown, Balakrishnan S. Iyer, E.
Floyd Kvamme

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16 Dated: July 20, 2007

HELLER EHRMAN LLP

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18 By: /s/ Michael L. Charlson
Michael L. Charlson

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20 Attorneys for Defendants
Derek Bell, Roderick D. Davies, Bruce Renouard,
21 Vladimir Rumennik, Daniel M. Selleck, John Tomlin,
Clifford J. Walker, Thomas W. Roesler, Richard S.
22 Fassler, and Andrew Moorish

23 Dated: July 20, 2007

HOWREY LLP

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25 By: /s/ Leigh A. Kirmsse
Leigh A. Kirmsse

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27 Attorneys for Defendant
John M. Cobb

1 Dated: July 20, 2007

MORRISON & FOERSTER

3 By: /s/ Karen Petroski
4 Karen Petroski

5 Attorneys for Defendant
6 Robert G. Staples

7 Dated: July 20, 2007

FENWICK & WEST LLP

8 By: /s/ Emmett C. Stanton
9 Emmett C. Stanton

10 Attorneys for Defendant
11 Howard F. Earhart

12
13 **ORDER**

14
15 PURSUANT TO THE STIPULATION BY THE PARTIES, IT IS SO ORDERED.
16

17
18 Dated: July 24, 2007



FILER'S ATTESTATION

Pursuant to General Order No. 45, Section X, Subparagraph B, the undersigned attests that all parties have concurred in the filing of this Stipulation and [Proposed Order].

Dated: July 20, 2007

COOLEY GODWARD KRONISH LLP

By: /s/ Jeffrey S. Karr
Jeffrey S. Karr